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October 16, 2009

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Peter A. Nicholas
Molokai Properties Limited
119 Merchant Street, Suite 408
Honolulu, Hawaii 96813

Re: Docket No. 2009-0048, Molokai Public Utilities, Inc. ("MPU") – General Rate Case, July 1, 2009 to June 30, 2010 Test Year

Dear Counsel and Mr. Nicholas:

Please respond to the enclosed information requests, PUC-IR-103 to -105, by **October 30, 2009**. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Azama".

Michael Azama
Commission Counsel

MA:cp

Enclosure

c: Division of Consumer Advocacy (w/enclosure)
Michael J. Hopper, Esq., County of Maui (w/enclosure)
William W. Milks, Esq., West Molokai Association (w/enclosure)
Timothy Brunnert, Stand for Water (w/enclosure)

Docket No. 2009-0048, Molokai Public Utilities
Information Requests

Please respond to the following information requests for the docket record:

PUC-IR-103

At the public hearing, MPU was unable to sufficiently respond to the Commission's queries concerning the status of Well 17 and the Molokai Irrigation System ("MIS").¹ Yet MPU, as part of its Amended Application, seeks the Commission's approval: (1) of certain Well 17 and MIS-related expenses for the test year;² (2) to establish a Purchased Fuel Adjustment Clause ("PFAC") that will authorize the water utility to pass onto its ratepayers changes in the fuel expenses it incurs to pump water from Well 17;³ and (3) to defer and recover in future rate cases the litigation costs it will incur related to Well 17 and the MIS.⁴

In particular, with respect to Item No. 3, above, MPU, in its written testimony, states:

Q. Does the Company expect to incur legal and other Professional Services expenses regarding current litigation and also for potential proceedings associated with the production and transmission of water supplies?

A. Yes, it does.

¹Transcript of the public hearing held on September, 3, 2009, in Kaunakakai, Molokai, at 6-9 (commission's questions about Well 17 and the MIS). MPU's representative who testified at the public hearing deferred MPU's responses to the Commission's questions to Mr. Peter Nicholas, who was not present at the public hearing. Mr. Nicholas is listed by MPU in its initial and amended applications as a contact person for MPU, in the care of Molokai Properties, Limited.

²See, e.g., Amended Application, Exhibits 6 and 10.3 (State of Hawaii ("State"), Department of Agriculture ("DOA") – rental service expense for the Test Year, \$144,456); and Exhibit 10.2 (Well 17, fuel expense for the Test Year, \$282,524). According to MPU, the DOA – rental service expense reflects "the annual cost for the services provided to MPU by the Department of Agriculture related to the transportation of water from Well 17 to [MPU's] Mahana pump station." Amended Application, Exhibit MPU-T-100, at 29.

³See Amended Application, at 12; see also id. at Exhibit MPU-T-100, at 26-28 (PFAC).

⁴See Amended Application, Exhibit MPU-T-100, at 30-32.

- Q. Please briefly describe those activities or proceedings.
- A. The Company is currently involved in a proceeding before the Commission brought by the County of Maui in Docket No. 2008-0116. In addition, the Company could become involved in a permitting proceeding involving a water use permit for Well 17 for withdrawing water from the Water Management Area, as well as Department of Agriculture permitting related to the completion of a transportation agreement through the MIS, which moves the water produced at Well 17 to the Mahana pump station to be delivered to the Company's customers.
- Q. Has the Company actually begun expending funds related to these permitting activities and other litigation?
- A. Yes, the Company has been making expenditures regarding the County of Maui litigation.
- Q. Does MPU have any estimate of the total costs for these activities?
- A. Yes. The Company believes that its expenditures on these proceedings will escalate through and after the TY and is seeking to obtain Commission authorization to defer these expenses for recovery in future rate cases.
- Q. What is the total estimated expense for those activities and what is the current estimate of the total litigation time?
- A. The total expense estimate for all three cases ranges from approximately \$645,000 to \$970,000 with an estimate of 1 to 4 years for completion of these cases, assuming there is no appeal or other related proceeding.
- Q. Please describe the procedure the Company is recommending in this proceeding.
- A. The Company is requesting that the Commission authorize the Company to defer these expenses as they are incurred, and permit the Company to seek recovery of the deferred expenses in a subsequent rate case.

Amended Application, Exhibit MPU-T-100, at 30-32 .

- A. Fully and clearly explain: (1) the status of MPU or its affiliates' efforts in securing a water use permit from the State Commission on Water Resource Management ("CWRM") for Well 17, with estimated target dates; and (2) the target date for securing a water use permit from the CWRM, including MPU's estimate as to whether MPU or its affiliates will secure the water use permit within the test year period.
- B. In the event that MPU or its affiliates do not obtain a water use permit from the CWRM for Well 17 during the test year period, fully and clearly explain MPU's basis for nonetheless seeking in this rate case proceeding the Commission's approval: (1) to include as reasonable the operational costs associated with Well 17 in the test year; and (2) of a PCAF.
- C. Fully and clearly explain: (1) the status of MPU or its affiliates' efforts in securing a formal agreement or permit from the State DOA for the MIS, with estimated target dates that include the completion of the environmental review process; and (2) the target date for securing a formal agreement or permit from the DOA, including MPU's estimate as to whether MPU or its affiliates will secure the formal agreement or permit within the test year period.
- D. In the event that MPU or its affiliates do not obtain a formal agreement or permit from the DOA for the MIS during the test year period, fully and clearly explain MPU's basis for nonetheless seeking in this rate case proceeding the Commission's approval to include as reasonable the DOA rental expenses associated with the MIS in the test year.

PUC-IR-104

- A. Identify the owner of Well 17.
- B. Identify the owner of the MIS.

PUC-IR-105

MPU, on page 16 of its Opposition to the County of Maui's Motion to Intervene, refers to a State Department of Health ("DOH") proceeding "which is not applicable or relevant to the instant proceeding."

Fully and clearly explain the current status of the DOH proceeding.